

TOWNSHIP OF HILL  
Ogemaw County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Hill	County Ogemaw
Fiscal Year End March 31, 2008	Opinion Date April 22, 2008	Date Audit Report Submitted to State April 23, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

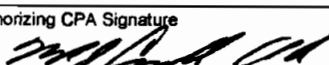
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707		License Number 1101007803	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	

TOWNSHIP OF HILL  
Ogemaw County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Fire Fund	18
Budgetary Comparison Schedule – Road Fund	19
Budgetary Comparison Schedule – Gypsy Moth Fund	20
Other supporting information:	
Combining Balance Sheet – All Nonmajor Governmental Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Nonmajor Governmental Funds	22
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	23
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	24

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 22, 2008

To the Township Board  
Township of Hill  
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Hill, Ogemaw County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hill's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hill, Ogemaw County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF HILL  
Ogemaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

This report covers Hill Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status is sound. We have incurred no debt, we operate on a pay as you go basis. Assets for the General Fund as of March 31, 2008, totaled \$936,107.91. Revenues were up by a small amount from the preceding year mostly due to higher property values. Net assets for all funds as of March 31, 2008 totaled \$1,408,202.30. Governmental activities had a \$153,501.49 decrease in net assets.

Our taxable value increased by approximately \$5,148,399.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Road Fund, Fire Fund, Gypsy Moth Fund, Capital Improvement Fund, Norway Shores Fund, Maple Road Fund, and the Current Tax Collection Fund.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

**CONDENSED FINANCIAL INFORMATION**

March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	1 513 069	1 363 945
Capital Assets	<u>48 635</u>	<u>44 257</u>
Total Assets	<u>1 561 704</u>	<u>1 408 202</u>
Current Liabilities	-	-
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in Capital		
Assets	48 635	44 257
Unrestricted	<u>1 513 069</u>	<u>1 363 945</u>
Total Net Assets	<u>1 561 704</u>	<u>1 408 202</u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and charges for services	137 869	147 947
Operating Grants and Contributions	-	-
General Revenues:		
Property taxes	211 636	221 066
State revenue sharing	111 678	112 580
Interest	11 302	10 987
Miscellaneous	<u>24 420</u>	<u>6 589</u>
Total Revenues	<u>496 905</u>	<u>499 169</u>
Program Expenses:		
General Government and Administration	137 181	144 582
Public Safety	47 024	57 955
Public Works	299 063	448 861
Recreation and Culture	<u>1 027</u>	<u>1 273</u>
Total Expenses	<u>484 295</u>	<u>652 671</u>
Increase (Decrease) in Net Assets	12 610	(153 502)
Net Assets, April 1	<u>1 549 094</u>	<u>1 561 704</u>
Net Assets, March 31	<u>1 561 704</u>	<u>1 408 202</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Road Fund, Fire Fund, Gypsy Moth Fund, Capital Improvement Fund, Maple Road Fund and Norway Shores Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we upgraded the following roads preparing them for future paving, Kenyons, Brady Road, and a portion of Wiltse Road. We also paved Main Street. The cost of this work was \$299,150.42. This cost was paid by millage and the General Fund. We had a Spring and Fall trash clean-up costing \$5,220.00. We also contracted with Cummings Township for the use of the Transfer Site allowing our residents to dispose of their household trash weekly. This cost was \$18,000.00, up 50% from the previous year. We completed a total reappraisal of the Township with final cost for this year of \$16,836.00 for a total cost of \$24,810.00. All these were paid from the General Fund.

We have no debt, and our cash position in governmental activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$285,493.88.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 47% of our income. We continue to grow at a 3% rate in taxable values with little demand for infrastructure, except good roads and trash disposal where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and investors with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at (989) 473-2325 or e-mail Clerkhill@aol.com.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 330 588 74
Accounts receivable	301 90
Taxes receivable	<u>33 054 12</u>
Total Current Assets	<u>1 363 944 76</u>
NON-CURRENT ASSETS:	
Capital Assets	97 823 54
Less: Accumulated Depreciation	<u>(53 566 00)</u>
Total Non-current Assets	<u>44 257 54</u>
TOTAL ASSETS	<u><u>1 408 202 30</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	44 257 54
Unrestricted	<u>1 363 944 76</u>
Total Net Assets	<u>1 408 202 30</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 408 202 30</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF HILL  
Ogemaw County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	17 130 90	-	(17 130 90)
General government	127 450 46	41 509 07	(85 941 39)
Public safety	57 954 79	-	(57 954 79)
Public works	448 860 56	106 438 00	(342 422 56)
Culture and recreation	1 273 12	-	(1 273 12)
<b>Total Governmental Activities</b>	<u>652 669 83</u>	<u>147 947 07</u>	<u>(504 722 76)</u>
General Revenues:			
Property taxes			221 065 53
State revenue sharing			112 579 75
Interest			10 987 08
Miscellaneous			6 588 91
<b>Total General Revenues</b>			<u>351 221 27</u>
<b>Change in net assets</b>			(153 501 49)
<b>Net assets, beginning of year</b>			<u>1 561 703 79</u>
<b>Net Assets, End of Year</b>			<u>1 408 202 30</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**

March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Road</u>
<b><u>Assets</u></b>			
Cash in bank	916 789 87	161 680 83	76 469 48
Accounts receivable	301 90	-	-
Taxes receivable	18 470 83	6 278 28	7 630 01
Due from other funds	545 31	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>936 107 91</u>	<u>167 959 11</u>	<u>84 099 49</u>
<b><u>Liabilities and Fund Equity</u></b>			
Liabilities:			
Due to other funds	-	-	-
Total liabilities	<u>          </u>	<u>          </u>	<u>          </u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	936 107 91	167 959 11	84 099 49
Total fund equity	<u>936 107 91</u>	<u>167 959 11</u>	<u>84 099 49</u>
Total Liabilities and Fund Equity	<u>936 107 91</u>	<u>167 959 11</u>	<u>84 099 49</u>

The accompanying notes are an integral part of these financial statements.

<u>Gypsy Moth</u>	<u>Other Funds</u>	<u>Total</u>
162 144 47	13 358 78	1 330 443 43
-	-	301 90
-	675 00	33 054 12
-	-	545 31
<u>162 144 47</u>	<u>14 033 78</u>	<u>1 364 344 76</u>
<u>-</u>	<u>400 00</u>	<u>400 00</u>
<u>-</u>	<u>400 00</u>	<u>400 00</u>
<u>162 144 47</u>	<u>13 633 78</u>	<u>1 363 944 76</u>
<u>162 144 47</u>	<u>13 633 78</u>	<u>1 363 944 76</u>
<u>162 144 47</u>	<u>14 033 78</u>	<u>1 364 344 76</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 1 363 944 76

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	97 823 54
Accumulated depreciation	<u>(53 566 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 1 408 202 30

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Road</u>
Revenues:			
Property taxes	67 186 20	69 761 35	84 117 98
State revenue sharing	112 579 75	-	-
Charges for services – PTAF	41 509 07	-	-
Interest	10 391 75	197 15	86 64
Special assessments	99 413 00	-	-
Miscellaneous	6 588 91	-	-
Total revenues	<u>337 668 68</u>	<u>69 958 50</u>	<u>84 204 62</u>
Expenditures:			
Legislative:			
Township Board	17 130 90	-	-
General government:			
Supervisor	14 584 49	-	-
Elections	1 785 14	-	-
Assessor	23 340 00	-	-
Clerk	14 427 61	-	-
Board of Review	4 954 16	-	-
Treasurer	18 071 76	-	-
Building and grounds	11 988 49	-	-
Cemetery	450 00	-	-
Unallocated	30 758 65	-	-
Public safety:			
Fire protection	-	57 954 79	-
Public works:			
Highways and streets	13 100 00	-	299 150 42
Street lighting	7 684 56	-	-
Sanitation	23 220 00	-	-
Weed control	102 725 00	-	-
Culture and recreation:			
Library	1 273 12	-	-
Total expenditures	<u>285 493 88</u>	<u>57 954 79</u>	<u>299 150 42</u>
Excess (deficiency) of revenues over expenditures	<u>52 174 80</u>	<u>12 003 71</u>	<u>(214 945 80)</u>
Other financing sources (uses):			
Operating transfers in	-	-	166 245 00
Operating transfers out	(166 245 00)	-	-
Total other financing sources (uses)	<u>(166 245 00)</u>	<u>-</u>	<u>166 245 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(114 070 20)	12 003 71	(48 700 80)
Fund balances, April 1	<u>1 050 178 11</u>	<u>155 955 40</u>	<u>132 800 29</u>
Fund Balances, March 31	<u>936 107 91</u>	<u>167 959 11</u>	<u>84 099 49</u>

The accompanying notes are an integral part of these financial statements.

<u>Gypsy Moth</u>	<u>Other Funds</u>	<u>Total</u>
-	-	221 065 53
-	-	112 579 75
-	-	41 509 07
286 32	25 22	10 987 08
-	7 025 00	106 438 00
-	-	6 588 91
<u>286 32</u>	<u>7 050 22</u>	<u>499 168 34</u>
-	-	17 130 90
-	-	14 584 49
-	-	1 785 14
-	-	23 340 00
-	-	14 427 61
-	-	4 954 16
-	-	18 071 76
-	2 713 16	14 701 65
-	-	450 00
-	-	30 758 65
-	-	57 954 79
-	2 980 58	315 231 00
-	-	7 684 56
-	-	23 220 00
-	-	102 725 00
-	-	1 273 12
<u>-</u>	<u>5 693 74</u>	<u>648 292 83</u>
<u>286 32</u>	<u>1 356 48</u>	<u>(149 124 49)</u>
-	-	166 245 00
-	-	(166 245 00)
<u>-</u>	<u>-</u>	<u>-</u>
286 32	1 356 48	(149 124 49)
<u>161 858 15</u>	<u>12 277 30</u>	<u>1 513 069 25</u>
<u>162 144 47</u>	<u>13 633 78</u>	<u>1 363 944 76</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (149 124 49)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(4 377 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (153 501 49)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Hill, Ogemaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hill. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



TOWNSHIP OF HILL  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.2937 mills, and the taxable value was \$96,100,330.00.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Encumbrances**

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

**Capital Assets**

Capital assets are defined by the Township as assets with an initial cost of more than \$25.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15-50 years
Furniture and equipment	5-30 years

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 2 – Budgets and Budgetary Accounting (continued)**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 330 588 74</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	268 212 10
Uninsured and Uncollateralized	<u>1 076 604 67</u>
Total Deposits	<u>1 344 816 77</u>

The Township of Hill did not have any investments as of March 31, 2008.

TOWNSHIP OF HILL  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<b><u>Governmental Activities:</u></b>				
Land	11 225 00	-	-	11 225 00
Buildings	58 852 00	-	-	58 852 00
Equipment	31 680 54	-	(3 934 00)	27 746 54
Total	101 757 54	-	(3 934 00)	97 823 54
Accumulated Depreciation	(53 123 00)	(4 377 00)	3 934 00	(53 566 00)
Net Capital Assets	48 634 54	(4 377 00)	-	44 257 54

TOWNSHIP OF HILL  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$2,606.19.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Hill does not issue building permits. Building permits are issued by the County of Ogemaw.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	400 00	Maple Road	400 00
General	<u>145 31</u>	Current Tax Collection	<u>145 31</u>
Total	<u>545 31</u>	Total	<u>545 31</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	54 000 00	67 023 60	67 186 20	162 60
State revenue sharing.	105 000 00	108 981 00	112 579 75	3 598 75
Charges for services – PTAF	30 000 00	32 517 63	41 509 07	8 991 44
Interest	3 567 00	2 518 64	10 391 75	7 873 11
Special assessments	119 538 00	99 208 00	99 413 00	205 00
Miscellaneous	8 726 00	19 178 67	6 588 91	(12 589 76)
Total revenues	<u>320 831 00</u>	<u>329 427 54</u>	<u>337 668 68</u>	<u>8 241 14</u>
Expenditures:				
Legislative:				
Township Board	29 550 00	29 550 00	17 130 90	(12 419 10)
General government:				
Supervisor	17 000 00	17 000 00	14 584 49	(2 415 51)
Elections	13 200 00	13 200 00	1 785 14	(11 414 86)
Assessor	30 000 00	30 000 00	23 340 00	(6 660 00)
Clerk	17 200 00	17 200 00	14 427 61	(2 772 39)
Board of Review	2 750 00	4 955 00	4 954 16	(84)
Treasurer	20 700 00	20 700 00	18 071 76	(2 628 24)
Building and grounds	21 100 00	21 100 00	11 988 49	(9 111 51)
Cemetery	500 00	500 00	450 00	(50 00)
Unallocated	116 000 00	118 580 00	30 758 65	(87 821 35)
Public works:				
Highways and streets	30 000 00	30 000 00	13 100 00	(16 900 00)
Street lights	7 500 00	7 685 00	7 684 56	(44)
Sanitation	23 000 00	26 000 00	23 220 00	(2 780 00)
Weed control	121 000 00	102 725 00	102 725 00	-
Culture and recreation:				
Library	850 00	1 275 00	1 273 12	(1 88)
Total expenditures	<u>450 850 00</u>	<u>440 470 00</u>	<u>285 493 88</u>	<u>(154 976 12)</u>
Excess (deficiency) of revenues over expenditures	<u>(130 019 00)</u>	<u>(111 042 46)</u>	<u>52 174 80</u>	<u>163 217 26</u>
Other financing sources (uses):				
Operating transfers out	(200 000 00)	(200 000 00)	(166 245 00)	33 755 00
Total other financing sources (uses)	<u>(200 000 00)</u>	<u>(200 000 00)</u>	<u>(166 245 00)</u>	<u>33 755 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(330 019 00)</u>	<u>(311 042 46)</u>	<u>(114 070 20)</u>	<u>196 972 26</u>
Fund balance, April 1	<u>532 046 00</u>	<u>532 046 00</u>	<u>1 050 178 11</u>	<u>518 132 11</u>
Fund Balance, March 31	<u>202 027 00</u>	<u>221 003 54</u>	<u>936 107 91</u>	<u>715 104 37</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

**BUDGETARY COMPARISON SCHEDULE – FIRE FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	66 000 00	69 542 43	69 761 35	218 92
Interest	<u>200 00</u>	<u>212 27</u>	<u>197 15</u>	<u>(15 12)</u>
Total revenues	<u>66 200 00</u>	<u>69 754 70</u>	<u>69 958 50</u>	<u>203 80</u>
Expenditures:				
Public safety:				
Fire protection	<u>66 000 00</u>	<u>57 954 79</u>	<u>57 954 79</u>	<u>-</u>
Total expenditures	<u>66 000 00</u>	<u>57 954 79</u>	<u>57 954 79</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	200 00	11 799 91	12 003 71	203 80
Fund balance, April 1	<u>80 000 00</u>	<u>80 000 00</u>	<u>155 955 40</u>	<u>75 955 40</u>
Fund Balance, March 31	<u><u>80 200 00</u></u>	<u><u>91 799 91</u></u>	<u><u>167 959 11</u></u>	<u><u>76 159 20</u></u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

**BUDGETARY COMPARISON SCHEDULE – ROAD FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	75 000 00	83 826 93	84 117 98	291 05
Interest	<u>250 00</u>	<u>105 16</u>	<u>86 64</u>	<u>(18 52)</u>
Total revenues	<u>75 250 00</u>	<u>83 932 09</u>	<u>84 204 62</u>	<u>272 53</u>
Expenditures:				
Public works:				
Highways and streets	<u>225 250 00</u>	<u>299 150 42</u>	<u>299 150 42</u>	<u>-</u>
Total expenditures	<u>225 250 00</u>	<u>199 150 42</u>	<u>299 150 42</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(150 000 00)</u>	<u>(215 218 33)</u>	<u>(214 945 80)</u>	<u>272 53</u>
Other financing sources (uses):				
Operating transfers in	<u>100 000 00</u>	<u>166 245 00</u>	<u>166 245 00</u>	<u>-</u>
Total other financing sources (uses)	<u>100 000 00</u>	<u>166 245 00</u>	<u>166 245 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(50 000 00)</u>	<u>(48 973 33)</u>	<u>(48 700 80)</u>	<u>272 53</u>
Fund balance, April 1	<u>50 000 00</u>	<u>50 000 00</u>	<u>132 800 29</u>	<u>82 800 29</u>
Fund Balance, March 31	<u>-</u>	<u>1 026 67</u>	<u>84 099 49</u>	<u>83 072 82</u>



TOWNSHIP OF HILL  
Ogemaw County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GYPSY MOTH FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>430 00</u>	<u>303 89</u>	<u>286 32</u>	<u>(17 57)</u>
Total revenues	<u>430 00</u>	<u>303 89</u>	<u>286 32</u>	<u>(17 57)</u>
Expenditures:				
Public works:				
Gypsy moth	<u>40 100 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>40 100 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(39 670 00)	303 89	286 32	(17 57)
Fund balance, April 1	<u>161 330 00</u>	<u>161 330 00</u>	<u>161 858 15</u>	<u>528 15</u>
Fund Balance, March 31	<u><u>121 660 00</u></u>	<u><u>161 633 89</u></u>	<u><u>162 144 47</u></u>	<u><u>510 58</u></u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS  
March 31, 2008

	<u>Norway Shores</u>	<u>Maple Road</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	9 512 18	2 643 71	1 202 89	13 358 78
Taxes receivable	<u>300 00</u>	<u>375 00</u>	<u>-</u>	<u>675 00</u>
Total Assets	<u>9 812 18</u>	<u>3 018 71</u>	<u>1 202 89</u>	<u>14 033 78</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>400 00</u>	<u>-</u>	<u>400 00</u>
Total liabilities	<u>-</u>	<u>400 00</u>	<u>-</u>	<u>400 00</u>
Fund balances:				
Unreserved:				
Undesignated	<u>9 812 18</u>	<u>2 618 71</u>	<u>1 202 89</u>	<u>13 633 78</u>
Total fund balances	<u>9 812 18</u>	<u>2 618 71</u>	<u>1 202 89</u>	<u>13 633 78</u>
Total Liabilities and Fund Balances	<u>9 812 18</u>	<u>3 018 71</u>	<u>1 202 89</u>	<u>14 033 78</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS**  
Year ended March 31, 2008

	<u>Norway Shores</u>	<u>Maple Road</u>	<u>Capital Improvement</u>	<u>Total</u>
Revenues:				
Special assessments	3 700 00	3 325 00	-	7 025 00
Interest	<u>15 94</u>	<u>3 15</u>	<u>6 13</u>	<u>25 22</u>
Total revenues	<u>3 715 94</u>	<u>3 328 15</u>	<u>6 13</u>	<u>7 050 22</u>
Expenditures:				
General government:				
Building and grounds	-	-	2 713 16	2 713 16
Public works:				
Highways and streets	<u>1 157 92</u>	<u>1 822 66</u>	<u>-</u>	<u>2 980 58</u>
Total expenditures	<u>1 157 92</u>	<u>1 822 66</u>	<u>2 713 16</u>	<u>5 693 74</u>
Excess (deficiency) of revenues over expenditures	2 558 02	1 505 49	(2 707 03)	1 356 48
Fund balances, April 1	<u>7 254 16</u>	<u>1 113 22</u>	<u>3 909 92</u>	<u>12 277 30</u>
Fund Balances, March 31	<u>9 812 18</u>	<u>2 618 71</u>	<u>1 202 89</u>	<u>13 633 78</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>72 98</u>	<u>3 129 672 10</u>	<u>3 129 599 77</u>	<u>145 31</u>
<u>Liabilities</u>				
Due to other funds	72 98	365 374 71	365 302 38	145 31
Due to others	<u>-</u>	<u>2 764 297 39</u>	<u>2 764 297 39</u>	<u>-</u>
Total Liabilities	<u>72 98</u>	<u>3 129 672 10</u>	<u>3 129 599 77</u>	<u>145 31</u>

TOWNSHIP OF HILL  
Ogemaw County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2008

Cash in bank – beginning of year	<u>72 98</u>
Cash receipts:	
Property taxes	3 129 362 69
Interest	<u>309 41</u>
Total cash receipts	<u>3 129 672 10</u>
Total beginning balance and cash receipts	<u>3 129 745 08</u>
Cash disbursements:	
Township General Fund	219 083 15
Township Road Fund	76 486 98
Township Fire Fund	63 482 25
Township Norway Shores Fund	3 400 00
Township Maple Road Fund	2 850 00
Ogemaw County	1 264 954 72
Kirtland Community College	100 644 89
COOR	44 886 43
West Branch – Rose City School District	633 579 60
Iosco Intermediate School District	36 232 49
Hale School District	638 944 91
Ogemaw District Library	23 862 99
Londo Lake Improvement Board	3 146 62
Refunds	<u>18 044 74</u>
Total cash disbursements	<u>3 129 599 77</u>
Cash in Bank – End of Year	<u>145 31</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

April 22, 2008

To the Township Board  
Township of Hill  
Ogemaw County, Michigan

We have audited the financial statements of the Township of Hill for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Hill in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Hill  
Ogemaw County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., PC*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants